

**BILL #** HB 2318

**TITLE:** tax credit; dependents; Alzheimer's disease

**SPONSOR:** Stump

**STATUS:** As Introduced

**PREPARED BY:** Matt Busby

## **FISCAL ANALYSIS**

### **Description**

The bill provides a tax credit for taxpayers who provide home based caregiver services to qualified dependents with Alzheimer's disease, effective January 1, 2007. The tax credit would amount to 25% of the cost of home based caregiver services up to \$2,000 per taxpayer. The bill also prevents individuals who take this tax credit to claim a tax exemption for being blind. The amount of the credit not used to offset taxes may be carried forward 5 consecutive years and used as an income tax credit in subsequent years.

### **Estimated Impact**

The bill is estimated to reduce individual income tax General Fund revenues from \$(31,500,000) to \$(129,000,000) starting in FY 2008. This amount may be reduced if a household's tax liability is less than the value of the credit. A household, however, can take the credit over a 5 year period of time.

### **Analysis**

According to the Desert Southwest Chapter of the Alzheimer's Association, approximately 90,000 individuals in Arizona have Alzheimer's disease, 64,500 of which are still at home. Of those 64,500 still at home, the Alzheimer's Association estimates that 21,000 receive home based caregiver services, either by the taxpayer or hired help. Home based caregiver services are all non-medical expenses incurred including food, diapers, bathing, hiring caregiver services, or any other type of personal care.

The bill provides a tax credit amounting to 25% of the costs of non-medical care up to \$2,000 per year. According to the Alzheimer's Association, the costs for providing non-medical care for those who qualify for this tax credit range from \$6,000 to \$18,000. The average cost is unknown. Given the \$2,000 cap, a taxpayer will only be reimbursed up to \$8,000 in expenses (25% of \$8,000 = \$2,000). Assuming that all individuals who qualify use the tax credit, the expense to the state would range from \$31,500,000 to \$42,000,000.

The bill does not define home based caregiver services. As a result, all 64,500 taxpayers with dependents at home with Alzheimer's disease could claim the tax credit. This could potentially increase the estimated expense range to \$129,000,000.

This bill prevents individuals who qualify for both the Alzheimer's tax credit and the exemption for blind individuals. This provision could change the estimate if a large number of individuals who qualified for both the credit and the exemption chose to take the exemption. The exemption is for \$1,500 and individuals would usually benefit more by taking the tax credit rather than the exemption. The exact number of individuals who qualify for both is unknown, but likely would not dramatically affect the estimate.

### **Local Government Impact**

None